

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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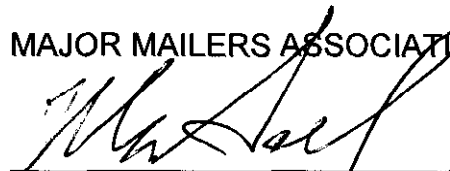
Docket No. R2000-1

RESPONSES OF MAJOR MAILERS ASSOCIATION  
WITNESS SALLS TO INTERROGATORIES OF  
THE UNITED STATES POSTAL SERVICE

Major Mailers Association hereby provides the responses of witness Mury Salls to the following interrogatories of the United States Postal Service:  
**USPS/MMA-T3-1-2**, filed on June 19, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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Dated: Round Hill, Virginia  
July 3, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have served the following interrogatory responses upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in accordance with Rule 12 of the Rules Of Practice.

Dated this 3rd day of July 2000.



Michael W. Hall

## **USPS/MMA-T3-1.**

Table 1 of your testimony (MMA-T-3) presents a comparison of alternative postage costs for an illustrative mailing of 10,000 letters at Postal Service proposed rates. Under the first situation, 10,000 two-ounce letters are mailed at First-Class Mail rates. Under the second situation, the mailing is split into 10,000 one-ounce letters mailed at First-Class Mail rates and 10,000 one-ounce letters mailed at Standard Mail rates.

- (a) Please confirm that First-Class Mail has a higher value of service than Standard (A) Mail and that the postal rates (or postage costs) for the two situations in Table 1 in part reflect the underlying value of service for the First-Class and Standard (A) mail classes. If you cannot confirm, please explain.
- (b) In your opinion, are advertising inserts which accompany a bill in a First-Class Mail piece more likely to be reviewed by the mail recipient than advertising that is sent separately from the bill as Standard (A) mail? Please explain.
- (c) Please confirm that the Standard (A) proposed rate presented is a rate that embeds a worksharing discount for mail entered at BMCs, while the First-Class rate presented does not require this extra worksharing effort. If you cannot confirm, please explain.
- (d) Please confirm that a more comparable proposed Standard (A) rate would be \$0.193 rather than \$0.176 because this higher rate does not reflect a BMC entry discount. If you cannot confirm, please explain.

### **RESPONSE:**

- (a) Confirmed. There is a higher perceived value of service for First-Class mail compared to Standard (A) mail. However, such a difference should be reflected in the first-ounce rate. I see no reason for charging a substantial premium in the second ounce rate to reflect value of service considerations to the extent that the Postal Service proposes. In other words, as shown in my Table 1, the additional postage charge proposed for the first and second ounces are 9.5 cents and 23 cents respectively. Value of service

considerations for the second ounce cannot possibly be worth more than twice that of the first ounce.

- (b) Generally speaking, no. I don't have any specific data that shows a comparison of inserts mailed with bills compared to standard A mailings. Specifically, many times our inserts are mandated by our regulatory commissions within each state – so sometimes it is easier to target all customers with the bill itself.
- (c) I would not categorize drop-shipping to a BMC as “an extra worksharing effort”. For Standard Mail (A), mailers have a choice to receive an additional discount in return for drop-shipping. First-Class mailers have no such option.
- (d) Not confirmed. For illustrative purposes I elected to use Standard Automation letters presorted to 3-digits that were deposited at a local BMC. Most MMA members enter First-Class mail directly to the P&DCs or BMCs due to the volume and geographic nature of their customers. This comparison simply illustrates that it costs the mailer \$540 less in postage to split up a 10,000 pieces of a 2-ounce letter mailing into two separate mailings, which costs the Postal Service more to process. From a business point of view, this is a very inefficient use of available resources. There are other comparisons that can be made and the Postal Service is welcome to provide its own.

## **USPS/MMA-T3-2.**

Table 2 of your testimony (MMA-T-3) presents a comparison of alternative postage costs for an illustrative mailing of 10,000 letters at MMA proposed rates. Under the first situation, 10,000 two-ounce letters are mailed at First-Class Mail rates. Under the second situation, the mailing is split into 10,000 one-ounce letters mailed at First-Class Mail rates and 10,000 one-ounce letters mailed at Standard Mail rates.

- (a) Please confirm that First-Class Mail has a higher value of service than Standard (A) Mail and that the postal rates (postage costs) for the two situations in Table 2 in part reflect the underlying value of service for the First-Class and Standard (A) mail classes. If you cannot confirm, please explain.
- (b) Please confirm that the Standard (A) proposed rate presented is a rate that embeds a worksharing discount for mail entered at BMCs, while the First-Class rate presented does not require this extra worksharing effort. If you cannot confirm, please explain.
- (c) Please confirm that a more comparable proposed Standard (A) rate would be \$0.193 rather than \$0.176 because this higher rate does not reflect a BMC entry discount. If you cannot confirm, please explain.
- (d) Please confirm that if the rate of \$0.193 is used in computing the postage for the second alternative, that the total postage for the second alternative is \$4,590 (\$1,930 + \$2,660), or \$90 more than the cost of the first situation. If you cannot confirm, please explain.

## **RESPONSE:**

- (a) Please see my response to USPS/MMA-T3-1 (a).
- (b) Please see my response to USPS/MMA-T3-1 (b).
- (c) Please see my response to USPS/MMA-T3-1 (c).
- (d) Please see my response to USPS/MMA-T3-1(d). I can confirm your computation but that is not the comparison that I have chosen to make. For illustrative purposes, I believe the appropriate comparison is the one I show in Table 2. However, your

comparison does illustrate how MMA's proposed rates could solve the anomaly that is caused by the Postal Service's proposed rates.